

Department of Health Update – Implementation of the Improved Payment Administration Arrangements

The Commonwealth has committed to improve Pharmaceutical Benefit Scheme (PBS) payment administration arrangements for certain high cost medicines following a recommendation to do so from the independent Review of Pharmacy Remuneration and Regulation.

These improvements are being developed in consultation with the medicines supply chain and representative peak bodies: the Pharmacy Guild of Australia, Medicines Australia, National Pharmaceutical Services Association, Australian Private Hospitals Association, Medical Software Industry Association, Society of Hospital Pharmacists of Australia, State and Territory Governments and representatives of chemotherapy compounders.

The aim of these improvements is to address issues raised by the sector related to the cost and risk of stocking high cost PBS medicines for participants in the supply chain but in particular community pharmacy. These improvements will also reduce PBS revenue rebates paid back to government by medicines companies which has grown significantly over recent years.

The improvements to payment processes are intended to increase the accessibility of important high cost medicines for consumers whilst ensuring that issues raised consistently by the sector since the PBS listing of high cost hepatitis C medicines in 2016 are fully addressed.

Participants in the medicines supply chain have been actively engaged and have worked closely with the department to develop options for how new payment administration arrangements could be introduced.

Consultation has highlighted that stakeholders in the supply chain have diverse operating arrangements and imperatives. In addition, complex issues have been raised by the differing interests represented by manufacturers, wholesalers, compounders and pharmacies regarding the implementation of any changed arrangements.

Next steps

Whilst legislative changes will be required to give effect to the reforms, the Minister has indicated he does not intend to progress legislation until a practical and workable approach to payment flows and reconciliation within the supply chain has been identified and agreed by government and key participants in the supply chain.

Given different operating models and imperatives within the supply chain, we anticipate that this will include provision for cash and credit transactions, is as operationally efficient as possible, and can support timely settlement of supply chain transactions.

The Government has allocated funding to the Department of Health and Department of Human Services to support the improved payment arrangements and will continue to work with industry to identify and provide support and funding for reasonable transition costs.

The department is thankful for the constructive approach taken by the stakeholders across the supply chain. Over 160 meetings, discussions and workshops have been undertaken in 2018 with manufacturers, wholesalers, compounders and pharmacies, as well as various peak industry bodies. It is acknowledged that while this consultation process has been complex it has also been open, solutions-focused and positive.

While remaining committed to implementation, the department is also committed to ensuring that the implementation of any new arrangements is effective, workable and continues to deliver access to high quality medicines to patients in accordance with the aims of the National Medicines Policy, and without any impact on consumers. The department will be working with stakeholders to achieve these aims in 2019 with new arrangements commencing in a staged approach in 2019 and 2020.

Importantly, compounded medicines will be included in these new arrangements once the unique operating requirements of compounding and hospital pharmacists can be managed.

The department is thankful for the significant commitment to an open consultative approach being taken by stakeholders and is looking forward to continuing a considered and timely process throughout 2019 to implement these reforms when appropriate.